

MTAC Workgroup 114
Service Standards and Measurement for Market-Dominant Products
Full Workgroup
July 11, 2007 Meeting Minutes

Subgroup Updates

The four subgroups provided updates on their progress since the last full workgroup meeting on June 13, 2007, with the following highlights.

First-Class Mail Subgroup. First-Class Mail (FCM) subgroup industry co-chair Jody Berenblatt, Bank of America, provided an update on the subgroup's progress. The group has been meeting nearly every 2 weeks, and Ms. Berenblatt thanked those who have been participating, including those FCM mail owners that recently have joined the discussions by phone. She also thanks the full workgroup co-chairs for their support and assistance.

The FCM subgroup is reviewing draft recommendations for the Special Services assigned to the subgroup (see report later in this document), and also is working on a draft of its recommendations for service standards. The latter includes a description of the FCM product, its uses and users, and recommendations from the subgroup in terms of service standards. The group has agreed to begin with the existing FCM service standards, recognizing that data necessary for more in-depth evaluation of the standards is lacking. The group recommends the ongoing review process to look at FCM standards in the future as more granular and extensive data becomes available, particularly for better development of standards for non-contiguous U. S. locations, and other subsets of FCM.

The FCM subgroup is concerned about USPS performance goals for the "tail or the mail" or "outliers" to the service standards, and will include in its recommendations the establishment of USPS performance goals for FCM that does not meet the service standards. This is an attempt to bring more USPS focus to improving the consistency of delivery for FCM. The subgroup's recommendations will include a simple chart that depicts the need for enhanced USPS performance goals to put more focus on the mail that does not get delivered within the existing standards. The proposed consistency goal would be the number of days in which 99% of the FCM should be delivered in order to meet business users' needs. The subgroup recommends that there be aggressive service performance improvement over time.

Ms. Berenblatt noted the subgroup is working to finalize recommendations on some other aspects of FCM, including issues for remittance mail, international mail, and other FCM subsets.

Jeff Lewis, full workgroup USPS co-chair, noted that the FCM subgroup had expressed to the USPS that the participants were not sure whether their recommendations on service standards accurately reflect those of small business or consumer FCM users, and they asked the USPS to explore outreach to those constituencies. A subset of the FCM subgroup had begun discussions and work around a survey for that outreach. The USPS later decided to supplement its existing market and consumer research, and is conducting a survey with about 35,000 small business and consumer users concerning their service expectations and perceptions for all products. Mr. Lewis said the USPS heard, and has responded to, the sentiments of the FCM subgroup relative to needing input from these constituencies.

Kathy Siviter, full workgroup industry co-chair, PostCom, asked if the subgroups could be provided with any highlights from the survey responses that should be considered prior to making their recommendations on service standards, and

Mr. Lewis said he will follow-up with the USPS on the availability of such data. Ms. Siviter asked if the USPS can provide an electronic version of the survey for distribution to the workgroup members.

Periodicals Subgroup. Periodicals subgroup participants Joyce McGarvy, Crain Communications, and Todd Black, Time, gave an update on the progress of the Periodicals subgroup.

The Periodicals subgroup is exploring the interim use of the Red Tag service performance monitoring system in the absence of a viable Intelligent Mail solution for Periodicals. The group currently is conducting a pilot test with the USPS to compare the entry dates used in Red Tag against USPS Surface Visibility scan dates to see if the data represents an accurate Start the Clock for service performance measurement. The pilot will run one more week, Ms. McGarvy reported, but to date the results are good, with the data entered by the Red Tag user and the USPS' scan data matching very closely. She noted the concern that to date only 1-2 USPS facilities are scanning pallet placards even though this process has been emphasized to the pilot sites.

Ms. McGarvy noted that the Red Tag Association will be conducting an educational briefing at the Postal Regulatory Commission (PRC) on Tuesday, July 24, 2007, which is open to the public.

Mr. Black gave an update on the subgroup discussions to date in terms of measurement. At its last meeting, the group reviewed a presentation by Time as to what it would like to see for measurement reporting – a web-based data access system where users can obtain aggregate scan data, using drill-down tools to obtain the desired level of granularity of data. Mailers may not need the same level of granularity as the USPS does for service diagnostics, he noted, but likely some users would want the ability to drill down to near that level.

The Periodicals subgroup has begun discussions about the Start the Clock data point and what that should be from the mailers' perspective, which is the point when the truck arrives at the postal facility for mail entry, not when the first container is offloaded and scanned by USPS because there could be a service-related gap between those two points. Mr. Black noted that his company uses simple keypad and truck driver sign-in technologies to record in an automated system when trucks arrive at facilities. It was noted that Start the Clock discussions will occur later in the meeting agenda (see that portion of this document).

The Periodicals subgroup will recommend that the existing service standards be maintained until more granular service performance data is available for more meaningful review. The group will be getting an update from the USPS later this week on offshore transportation processes, as well as the USPS' internal network/standards review. Some data presented by Time and ESPN show that mail dropped at non-contiguous U.S. destinations receives relatively good service, but mail dropped at the continental USPS processing point for non-contiguous destinations does not come close to meeting the existing standards, Mr. Black noted.

The Periodicals subgroup does not support any adjustment to service standards to reflect seasonality, because publications volume remains relatively consistent over the course of a year. Critical Entry Times (CETs) have been discussed by the subgroup at length and its recommendations will include an explanation of why they are critical, how Periodicals mailers use CETs to build their own mail preparation and entry models, and why they are integrally linked to service standards. Mr. Black noted that the USPS appears to be building functionality into its PostalOne! System to provide CETs but the data in the web site database at the moment is not good data. Mr. Lewis reported that he looked into the new site, which is developmental. There is some discussion as to whether it should be "live" with data

that is not good, he noted, and the industry subgroup participants urged the USPS not to provide access to CET data that is not good, although it encouraged the USPS to complete and turn on that functionality.

Standard Mail Subgroup. Tom Foti , Standard Mail subgroup USPS co-chair, gave an update on the progress of the Standard Mail subgroup. He noted that the Standard Mail subgroup held its most recent meeting yesterday, which is the subgroup's 4th meeting to date, with two more meetings scheduled.

Mr. Foti reviewed the draft service standards recommendations the Standard Mail subgroup is in the process of finalizing. He noted recent changes to the recommendations, for origin-entered Standard Mail. The recommendations for this mail previously used a wide range of days which industry participants felt would not provide the predictability and consistency that their businesses need from Standard Mail service. Upon further review and discussion, the subgroup now proposes that for origin-entered mail destined to "zones" 1-4, an additional day be added to the service standard as represented by the USPS Service Standards 3-digit ZIP Origin/Destination pair matrix. For origin-entered Standard Mail destined to "zones" 5-8, an additional two days would be added to the service standard for that 3-digit ZIP Code pair.

Ms. Siviter asked what "zone" refers to and how users of the USPS Service Standards software would know what zone to equate the 3-digit ZIP Code pair with, and Mr. Foti responded that would have to be programmed in to the software, and that the group is using "zone" in a manner similar to that used for Package Services. The group will discuss further how to fine-tune the proposal to make it clearer.

The group also will be recommending that an additional one day be added to the recommended destination-entry service standards, at all facility types except the Destination Delivery Unit, during the heavy fall mailing season (defined by the group as September through December). The additional day would be added to the maximum side of the range, so the standard in the matrix would go from 3-5, for instance, to 3-6.

For non-contiguous U. S. locations, the Standard Mail group recommends that the service standards be updated with more realistic standards, but lacking USPS data on what realistic standards would be, the group has not yet formulated any specific recommendations. The Standard Mail subgroup also has had some discussions around the appropriate methodology for counting delivery days to calculate service standards (see USPS presentation on this topic later in these notes).

In terms of service performance measurement, the Standard Mail subgroup supports the use of Intelligent Mail (IM) to measure service performance wherever possible, but recognizes the limitations of IM solutions until its full implementation. The group recommends that the USPS commit to accelerating its IM service performance measurement efforts, as well as work to better develop a transition strategy.

The subgroup next will work on finalizing its recommendations on service standards, including reaching out to Bound Printed Matter (BPM) mailers for input, and surveying the group on reporting needs. The group will begin work on drafting measurement recommendations for further discussion.

Package Services Subgroup. Tom Underkoffler, industry Package Services subgroup co-chair, gave an update on the progress of the Package Services subgroup.

The Packages Subgroup currently is reviewing proposed service standards that differentiate origin from destination-entry parcels. For origin-entered Package Services, the group is considering recommending that the current service standards remain in place for the near future, subject to future review when more detailed data on USPS network capabilities becomes available. The group contemplates recommending an additional one day be added to the existing service standards for origin-entered Standard Mail parcels.

For destination-entered parcels (for all market-dominant package services, including Standard Mail parcels), the group is working on a recommendation that addresses both the core service standard as well as a standard for the “tail of the mail” portion of volume that does not make the service standard (similar in concept to what the First-Class Mail subgroup is proposing). The proposed standards differ by entry facility type (DBMC/ASF, DSCF, DDU). A copy of the proposed recommendations are included in the Package Services update presentation, which has been posted on the web site.

The Packages subgroup also is developing service standards recommendations for Delivery Confirmation service, Merchandise Return Service, and Bulk Parcel Return Service. The latter two services are being redesigned by the USPS over the next year or so, and the subgroup is likely to recommend that service standards be developed once that redesign has been completed. For Delivery Confirmation, the group is proposing scan rate standards, data processing time standards and inquiry wait time standards.

The Packages subgroup next meets on July 23, and will continue its earlier discussions on service performance measurement. [Note: the Packages subgroup subsequently has scheduled meetings for August 13 and August 20, 10:00 am - 12:00 noon on both dates.]

Ms. Berenblatt suggested that the First-Class Mail subgroup and Packages Subgroup should compare recommendations on the “tail of the mail” to ensure that recommendations for FCM are not 6 days when Package Services are 2 days between the same points, etc. Mr. Underkoffler agreed the two groups should review the issue, but noted that the days listed for the Package Services “tail of the mail” goals would be cumulative.

IPC Presentation on Service Standards and Measurement

At the invitation of the workgroup, Ross Hinds, Director of Operations and Technology, International Post Corporation (based in Brussels), provided the workgroup with a presentation on the IPC and its work with other countries and foreign postal administrations on service standards and performance measurement. [A copy of his presentation is available on the workgroup web site.] The IPC is owned by 24 postal services, including the USPS, and is a collaborative effort (more information on the IPC is available on its web site at <http://www.ipc.be>).

Mr. Hinds talked about why service needs to be measured, citing reasons such as the customer needing to know the end-to-end time, the regulator needing to know if service requirements are being met, the post to know service issues segment by segment, the fact that only that which is measured is managed, and that for international mail, Posts use measurement to determine how much postage to pay one another.

He noted there a variety of ways to measure service performance. The best way, he said, is to count actual items that meet a specified objective. In order to accomplish this, however, each item must have a unique identifier (e.g., text, barcode, RFID, etc.). The passage of the item through the mail pipeline then is recorded event by event, and the event

data is collected in a central system. Reporting systems then can provide on-time return of measurement of on-time delivery.

Mr. Hinds noted that different countries use different methods for uniquely identifying pieces. Some use the Universal Postal Union (UPU) standard barcode, most commonly for items such as express pieces, parcels, registered letters, etc. He showed a “mail pipeline instrumentation” illustrating the points at which data is captured for international mail service measurement using the UPU barcode, which include at the point of posting, the first sorting center in the origin country, the office of exchange in the origin country, the office of exchange in the destination country, the sorting center in the destination country, the delivery office, then the addressee. Using this technology, he noted, there is measurement from the point of posting to delivery to the addressee. With a unique piece identifier, it is straightforward and simple.

The IPC measures a variety of mailstreams using unique piece identifiers, Mr. Hinds reported, including service performance for EMS service worldwide; and parcels, registered and insured letters. The objective is to ensure the target level of performance is achieved, and payments between posts are based on performance as reported by the IPC. The measurement data flow is continuous 24 hours, 7 days a week, he said.

When no unique identifier exists, the next best option would be statistical sampling techniques, he advised. A sampling technique could be as simple as sampling the mail pipeline using the date stamp, which Mr. Hinds said would be simple and cheap – but the results doubtful. Another method would be to post test mail and record the posting and receipt dates, giving end-to-end measurement, which he said can be effective if the posting and receipt are performed by independent people from the post being measured, but does not provide useful diagnostics for postal operations improvements. Mr. Hinds said that most posts have found that when they moved to an independent measurement body, the performance scores dropped about 10 percent. He also noted, however, that improving scores is different than improving service.

Another sampling method used by IPC is posting test mail with RFID tags, which provides segment-by-segment analysis for operations. He said that initially this technology only provided the start and stop and did not identify where the problems were occurring, but now IPC uses it to measure separate segments and the by-product is end-to-end measurement. He said RFID is old technology for IPC which has been using it for service measurement for at least 10 years, and noted that there is a conference coming up in September about RFID that IPC is involved in. He showed an illustration of the pipeline measurement points that can be obtained using RFID, which are the same as the UPU barcode, minus the posting point and delivery to addressee. He later talked about pilot tests to extend that measurement to include those points (see later in these notes).

Mr. Hinds noted that the IPC uses RFID tags designed specifically for use by posts, and showed a map illustrating countries that are part of the IPC’s RFID network (all IPC member posts, including the USPS). The IPC also does RFID measurement for non-IPC member countries (shown on the map in blue). He also showed a picture of the RFID tag, which fits in a letter size envelope weighing less than 20 grams (based on European restrictions), includes a battery, tag electronics with UHF aerial, and low frequency radio aerial. He noted that the tag contains a processor which can be changed, so it can hold a lot of information which can be adjusted.

Mr. Hinds walked the group through how the IPC’s RFID technology works with posts. The IPC’s experience with using the RFID technology for service performance measurement has been a positive one, he noted. It automates the data collection and has a high degree of accuracy. The technology becomes invisible to the post staff, and all data

collection is passive. He noted that IPC has about 500,000 tags in use at present, and the tag being used is a sixth generation version. The patents are owned by the posts through the IPC. In response to question, he noted the scan rates with the RFID tags are in the high 90's.

When asked why posts would use RFID technology versus reporters, Mr. Hinds stressed that RFID gives you diagnostic information for the network. In a small country such as Ireland, he said, all four of its sorting centers are equipped, it is not a big expense, and they track mail easily. Royal Mail has RFID readers in 100 of its facilities to follow mail through its system because it performed a cost/benefit analysis that justified that. They are pleased with the data they are getting, which has enabled them to tune their network in a way they could not before. It is a post's decision whether RFID is justifiable or not, he stressed, and sometime it depends on whether there are significant service problems. If there are few problems, the ROI may not be great, but if there are problems, the ROI is greater. For international mail, he said, there is no other way to do it because the measurement has to be independent and objective with no reporters.

Some sampling issues that should be considered are identifying what characteristics of the mail you want to measure, and determining if the sample is representative and at what precision level. The IPC has had many discussions and work around these issues over the years, he shared, and has determined that basic statistical assumptions, or text book statistical sampling methodologies are not quite correct because mail is not a normal distribution and its flow is not random. The focus should be on improving performance, not measuring it. One will lead to the other, he stressed.

Mr. Hinds reported on three different IPC letter service performance measurement systems currently in use. The UNEX Country System he described as using complex specification measuring varying urban/rural, payment method, induction method, envelope size/weight, and machine/handwritten addresses. He said the system is very complex and difficult to deal with. The City System is based on a simple specification and measures key cities, stamped, street or post office posting box, up to 50 gm letter with machine written addresses. Mr. Hinds noted that being statistically representative comes with a high price tag, so there are compromises between cost and accuracy in measurement systems.

The third letter service performance measurement system used by the IPC is the UPU Terminal Dues Target System, which measures inbound mail only with a city specification. He presented another map showing the UNEX system participation, and noted that all the USPS International Service Centers (ISCs) are equipped with RFID readers under the existing UNEX system. He said that the use of the UNEX system is growing, although its coverage is not as broad as RFID.

In terms of experience gained through using various sampling techniques, Mr. Hinds said that there often is a tendency to over-complicate measurement. He said that Europe initially did this and now is working to simplify its measurement systems. He said that sampling accuracy needs postal operations scrutiny, and noted that the UNEX system is carefully scrutinized because it is used for postage payments. Mr. Hinds said there needs to be a compromise between confidentiality and measuring what is supposed to be measured. There needs to be access to data to identify patterns with panelists (reporters). Using panelists comes with its own challenges in that data entry is not always accurate. He noted that panelists in Europe are not paid, but receive compensation through gifts, points, travel awards, etc. Relationships can be built between managers and reporters over time, which can improve accuracy, he noted, but said that the IPC is working to get rid of the human element in measurement reporting.

To that end, the IPC is pilot testing using RFID readers in recipient's letter boxes (4th quarter of 2007), with plans to put 50 devices in the mailbox or house of reporters in 20 countries. When the test mail is delivered, the reader will automatically capture the date/time, so the accuracy is no longer dependent on the panelist. In addition, IPC will be testing putting GPS/RFID readers at posting boxes to automatically capture data on when and where test mail is posted. These technologies are relatively cheap, he said, and combining them could automate the entire process. Mr. Hinds said further automating these systems could result in significant savings by reducing the costs of managing reporters. It also eliminates time-consuming debates about data entry accuracy, and brings the same level of reliability to the data as that gained from RFID reading points in postal facilities, he noted.

Mr. Hinds advised that precision in measurement should be approached with care because it can be a significant cost driver. He said that variability in service performance may require more measurement. For instance, if performance is consistently high, less measures are needed, but if performance drops below an acceptable point then more measurement may be needed to identify issues and improve service. If performance is at 30%, for instance, it doesn't really matter if the precision is +/- 10% because it would still be far too low. He said IPC does not use a high level of precision in statistical sampling for low performance areas because a lower level of precision is fine as long as the operations data is provided to improve the service. He advised that text book statistics can result in very expensive measurement.

In response to the question of whether the cost of measurement increases as service improves, Mr. Hinds said to the contrary – as service improves, the cost of measurement should decrease because if the objective is being met, a high level of precision and large sample sizes are not necessary. But if performance is not good, more samples may be necessary to identify the spots that need to be fixed. He cautioned that each case needs to be explored based on the specifics.

Another measurement issue to be avoided is that of "measurement perturbation," Mr. Hinds cautioned. The test mail should not be the major flow of small volume routes/streams. For instance, between some countries there are very small mail flows such as 2 letters/day, and if you put in 10 test letters a day you are increasing the mail flow with test letters and can disturb what you are trying to measure and the results are skewed. There can be enormous expense to measure small things, which he suggested can't be done as often or with as much precision in a cost-effective manner. He said the IPC does not measure small volumes in the same way, and sometimes chooses not to measure them at all.

Mr. Hinds spent some time describing the legislative environment of the European Union (EU) as compared to the United States, noting that legislation is formed much differently. Some postal administrations have universal service obligations like the USPS, but not all. He described the elements of universal service obligation under the European Union, noting that it is optional whether posts must apply a uniform price across the country. Mr. Hinds reported that EU service objectives are specified in a postal directive, with cross-border objectives as well as domestic objectives. The service objectives for cross-border mail include a speed objective of 85% for J+3 days (2006 actual was 94%), and a reliability objective of 97% for J+5 days (2006 actual was 99%).

He noted there are a variety of domestic service objectives used by different posts, with most having moved away from content-based pricing and now using service-based pricing, although there are some weight or shape based pricing models as well. Priority service objectives are J+1 and non-priority service is J+2,3... Ireland has only one service for single piece mail, which is 1 day, although large mailers contract with the post in terms of price and service, he noted. Different countries use different objectives and different rules. He showed that there has been significant improvement in service from 1994 (pre-UNEX) to 2006 (post-UNEX).

Mr. Hinds noted that with at least 27 different country regulators, the chance of them using consistent measurement standards was zero, so the EU developed measurement standards through the European Committee for Standardization (CEN). There are a range of standards, but the most important is EN 13850, which is mandatory for domestic and cross-border mail, includes statistical formulas, and allows measurement from different countries to be compared. The CEN standard aims to simplify measures to reduce costs.

On the question of who should perform measurement, the post or the regulator, Mr. Hinds noted the tendency now is to have the post perform the measurement with audit versus a separate system performed by the regulator. In some countries there are two different systems, he said, but they can be based on different things and then there are arguments as to which is correct. Posts tend to do better performing measurement, he noted, because then bigger volumes are included.

Mr. Hinds briefly noted that averages in terms of measurement may be useful for looking at trends, but may not reflect anyone's experience. He suggested that a large mailer may only be interested in their own mail, not an average. But from a regulatory perspective, where single pieces are being posted, a general average may be needed. To aggregate data, common measurement points are needed or it can become very complicated, he suggested, and if it is too complicated then no one understands it.

Measurement based on real mail (versus test mail) is preferable, Mr. Hinds said, because it is based on operations, not just service numbers. In a sampling system, a small percent could be within the acceptable error range, but with real mail the same percentage could be much more meaningful. He suggested that measurement should be a by-product of operations.

He cautioned that measuring only the entry and exit points will tell you there is a problem, but not what or where. The USPS agreed that its experience with EXFC is similar in that there was little detail between the exit and entry points, until the USPS started applying Planet codes on the test pieces. Mr. Hinds noted that capturing data through the network can give both the total time in the network and help identify where the problem(s) are. For instance, if you measure the time from posting to the first sorting center in one way, and the in-process points another way, you still arrive at end-to-end measurement. He said the IPC today uses half the amount of test letters with lower costs and better accuracy.

In terms of consequences of not achieving service performance, Mr. Hinds noted that different countries address it differently, with some assessing fines, which he noted can be ineffective if it results in funds transferred from one part of a government to another. Others use media pressures – he noted in Denmark in 1982 service fell to 50% for next day; the government minister resigned and director general was fired; and ever since then there has been huge focus on service quality.

In closing, Mr. Hinds said the IPC is happy to share its experiences with the USPS. The IPC is a cooperative of postal services and the USPS is a member. Postmaster General Jack Potter is the IPC Deputy Chair, he noted, and Paul Vogel is on several committees, so the USPS is well familiar with the IPC.

USPS Standards Review Process Update

Jeff Williamson, USPS, gave an update on the process and preliminary results of the USPS' service standards review. He said that when the workgroup first began, the USPS took the approach that its existing service standards were

based on sound business rules. As the discussions progressed, however, industry participants strongly urged the Postal Service to take a serious look at its existing service standards for all market-dominant products to ensure that they reflect existing operational, transportation and network realities. Based on that feedback, the USPS changed its approach and began what has turned out to be an in-depth review of existing standards and business rules.

Mr. Williamson said the USPS has been looking at two things. First, it is conducting a comprehensive refresh of the existing business rules, which has not been done in a long time. First-Class Mail has had the benefit of being reviewed by the USPS within the last 15-20 years through various PRC proceedings, he noted, but for other products the business rules were established in the 1970's and some have not been reviewed since that time. In evaluating the existing business rules and standards, the USPS is using a two-pronged approach. When the standards originally were developed, there were not tools to geocode buildings, so centers of geographic areas were used to calculate surface transportation distances, which resulted in the great circle miles used for zones. Today, however, technology is available that can calculate actual road distances between specific points. The USPS is making those two adjustments, as well as looking at network changes made over the years.

Mr. Williamson said the second part of the review will focus on looking at the USPS' network performance and capabilities. To that end, the USPS started an internal seeding program encompassing multiple different products, and looking at the end-to-end network flow – not drop ship entry. The USPS over the past two months has seeded about 40,000 pieces at 16 origins with volume destinating throughout the country. Mr. Williamson emphasized that the USPS is analyzing the data to evaluate its network capabilities, not existing service performance.

Mr. Williamson discussed one challenge raised by other product subgroups in that they are proposing destination entry standards. He said the USPS thinks that makes a lot of sense for some products, but when it tried to integrate the standards for destination entry with the initial business rules for end-to-end standards, the two did not integrate well, so you could get two different standards. He noted that there are no operational components in the business rules originally used for Periodicals and Standard Mail, just zones. The USPS now is looking at establishing business rules for those products which will allow it to more consistently and predictably establish standards for those products. The USPS will integrate the origin and drop entry rules.

Applying meaningful business rules for all products also will allow the USPS to more accurately reflect the impact of changes on standards from deployment of new technology or network adjustments, Mr. Williamson said. Otherwise, the same 3-digit to 3-digit matrix would exist and drop ship standards are all the same because they are purely based on distance and not operations. So, for instance, overnight service for mail dropped at an FSS site would be the same as mail dropped to the SCF. The USPS is adjusting the business rules to take operations into account as well as distance.

Lastly, these changes will give the USPS a more solid base for going forward and the ongoing review process the workgroup will recommend. If the USPS were to maintain the great circle miles and make no adjustments to the existing business rules, Mr. Williamson noted, there would be no need for a future review process because the miles don't change. But as volumes, mailer behavior, environment, etc. change, the USPS needs a better way to tell mailers service expectations. To do so requires operations-based rules, he noted. Mr. Williamson noted that the USPS needs the future review process as much as industry and strongly supports the recommendation for such a process.

Joyce McGarvy, Crain Communications and MTAC Industry Chair, asked about the USPS' estimates for the time line for completing this current review process in terms of the workgroup's time line, which has a deadline of mid-

September. What happens if the USPS completes its review after the workgroup has completed its work? Mr. Williamson said at some point the USPS will have to draw a line in the sand and then not make any changes until the next review of service standards is initiated through the formal review process.

The USPS would like to have the subgroups look at the business rules that the USPS will propose and say whether they are reasonable, if the time lines align to provide that opportunity. If they are, then the USPS could make adjustments based on those business rules. If not, it would wait until the next review. He said he hoped the USPS could discuss any potential changes with the workgroup at its late August meeting. Beyond that, subsequent changes could be addressed through the ongoing review process being recommended by the workgroup, he suggested. That process is as critical to the USPS as it is to the industry, Mr. Williamson said. The USPS does not see this as something we don't look at again for 15 years. As more data becomes available, we can make better decisions.

The group noted that in previous meetings some recommendations had been provided in terms of how mailers would like the service standards data to be provided. Mr. Williamson said the USPS is looking at how best to display the information, and would look at the group's suggestions.

In terms of the preliminary review results, Mr. Williamson said no big changes are expected for First-Class Mail, and the destination entry proposals being discussed by the Standard Mail and Package Services subgroups appear reasonable. Origin-entered Periodicals, Standard Mail and Package Services may see some changes, however, because the drive time differences will be reflected. Those need to be adjusted in order to more accurately reflect what the USPS' network capabilities are today, he said. The other standards that may need to be adjusted are those for non-contiguous U.S. locations, he noted. If the actual logistics of moving mail between those locations and the continental U.S. do not support meeting the existing standards, adjustments will have to be made, but that can be justified.

Service Standards – Counting Methodology

Vanessa Martin, USPS, presented the counting methodology used by the USPS to calculate service standards for EXFC. With some exceptions, calendar days are used. The number of days to deliver is the number of calendar days from induction to receipt. However, if the day of receipt occurs on the day after a non-delivery day (Sunday or a holiday), then one day is subtracted for each consecutive non-delivery day immediately preceding.

Ms. Martin showed several charts that illustrate how to calculate the number of days to deliver (copy available on the web site). Sundays and holidays do not count as delivery days, but sometimes are counted as processing days. For instance, mail entered on a Friday would be delivered in 1 day if delivered on Saturday, 2 days if delivered on Monday (not counting Sunday because it is a non-delivery day), 4 days if delivered on Tuesday (Sunday is counted as a processing day), and 5 days if delivered on Wednesday. A piece with an overnight service standard would be on time if delivered on the Saturday, a piece with 2-day or 3-day service standard would be on time only if delivered on Monday. Tuesday delivery would be late regardless of the service standard (FCM). Another chart showed how to count around holidays.

Some mailers noted that the methodology is not consistent with that in the Confirm service documentation.

Ms. Martin also provided some follow-up data promised from a previous meeting from the USPS' ADI (Accuracy of Delivery Indicator) study, where reporters provide data on their regular mail, not seed mail. One item tracked is where the customer perceives the mailpiece to be "damaged". Ms. Martin reported the following data for the past 4 postal quarters: Q2 2007= 0.17% damaged; Q1 2007= 0.13% damaged; Q4 2006=0.12% damaged; and Q3 2006=0.14% damaged. Damage is defined by the customer, she noted, and test mail is not included in the study.

USPS Federal Register Time Line

Mr. Lewis updated the workgroup on the time lines for the USPS to publish its *Federal Register* notice on service standards. The USPS is drafting the notice based on where the subgroups are in terms of their service standards recommendations, which most are close to finalizing. The Postal Service and the Postal Regulatory Commission both are looking to this workgroup as a significant input into the service standards development, he noted. The USPS plans to circulate the draft document internally, and the information in it will form the basis for consultations with the PRC. After the consultations are complete, the proposal will be published for comment in mid-October with a 30-day comment period. A final notice would be published in December 2007, prior to the PAEA implementation requirement of December 20, 2007.

If the workgroup makes any different recommendations in August, the USPS will have to work them into the draft *Federal Register* notice prior to publication.

Start The Clock

Pritha Mehra, USPS, presented the Postal Service's latest thinking on what data capture point would represent the Start the Clock for service performance measurement. A copy of her presentation is posted on the workgroup web site.

Ms. Mehra noted that Start the Clock (STC) would differ between the Seamless Acceptance world, and the "non-seamless" world. Seamless Acceptance is the automated verification and acceptance of mail as it is being processed on USPS equipment.

Seamless Acceptance Start the Clock. Under Seamless Acceptance, mailers would use Intelligent Mail Barcodes (IMBs) on mail pieces, trays, sacks, pallets, etc. The mailer would send an electronic manifest describing the mailing and identifying the unique barcodes in the mailing (she noted the USPS is still working on all the various derivatives of that). She noted that Seamless Acceptance participants prefer census versus sampling in terms of data inclusion for service performance measurement, but the USPS is looking at ways of doing both.

When the mail is entered at the postal facility, the USPS then scans the containers (hopefully a large volume of containers, she noted), which would Start the Clock for Seamless Acceptance mail. As the bundles, trays, sacks, and pieces are sorted through the network, the USPS would capture scan data at many points. Trays would be scanned on air transport, with some tray scanning as they are unloaded, and bundle scans would be obtained, where possible, off the top piece (which she said the USPS will be pilot testing soon), and scans also will be obtained as pieces are processed on automated equipment.

Ms. Mehra said the USPS has identified three STC categories for Seamless Acceptance and said if mailers feel there should be more, let the USPS know.

Drop Ship Start the Clock. The first STC category would be the Drop Ship STC, where the USPS has the FAST appointment arrival time, then scans the containers at the USPS facility where the mail is entered at Surface Visibility (SV) sites. The USPS also is exploring using the Intelligent Mail Device (IMD) handheld scanners to scan containers at non-SV sites, she noted. The USPS is looking at a less complex IMD that is less expensive (with less features), for this purpose. The FAST appointment arrival time would be recorded for SV sites, and for non-SV sites, it would be the date/time entered into the TIMES.

The USPS noted that if the mailer arrives early for their FAST appointment, the STC would start at the scheduled appointment time or the unload start time, whichever comes first. If the mailer arrives on time for their scheduled FAST appointment (within 30 minutes), the FAST appointment time would be the STC. If the mailer arrives 31+ minutes late for their scheduled FAST appointment, the STC will be the unload time. Ms. Siviter noted that under that concept if the mailer was 32 minutes late for their scheduled appointment, the truck could then sit in the yard for 3 hours and the STC would not reflect that. The USPS acknowledged this, but said that late arrivals are not given preferential treatment over others that arrive on time, so there may be cases they have to wait as a result of missing their scheduled appointment time.

The group asked if the STC at Bulk Mail Centers (BMCs) would be the arrival at the gate, and the USPS responded that it is looking at two different things. It is pilot testing a new system (YMS – Yard Management System) at BMCs, where the STC would be the arrival time at the gate. At plants, the STC would be when the truck pulls up to the dock and arrival is noted.

Ms. McGarvy raised the issue of the USPS current problems scanning barcodes on pallets. In the Red Tag test currently being conducted, she noted, there are very few pallet placard scans being obtained even though the importance of doing so is being emphasized to the participating USPS offices. Ms. Mehra noted that USPS engineering is in the process of conducting tests with mailers to come up with solutions for the scanning issues being encountered. Several possible solutions are being explored, she noted. Ms. McGarvy pointed out that the pallet placards in the Red Tag test are being placed on the outside of the shrinkwrap so there should be no technological issues, rather the issue seems to be getting USPS personnel to perform the scanning. Ms. Mehra said the USPS will follow-up on that issue. It was noted that for SV sites, the pallet scans would not be necessary because if the appointment was on time, the FAST arrival time can be used. That does not apply for late arrivals, however.

Phil Thompson, QUAD/Graphics, said it is frustrating to have these issues with container scans in terms of USPS personnel performing the necessary scanning. The field enforcement, training and compliance issues often are the hardest part of implementing these processes, he observed. He urged the USPS to explore other options, such as having the ability for the truck driver to log themselves in, or other alternatives. Todd Black, Time, had noted in the Periodicals subgroup discussions that drivers arriving at their facilities use simple tablet/sign-in technologies to record their arrival times.

Ms. Mehra acknowledged that the USPS is not doing well on container scanning, but because Seamless Acceptance is reliant on scans, doing so will be put on the field performance NPA (National Performance Assessment) so scanning performance will be a factor in managers' compensation. She noted that this is still a relatively new program and reports as to what facilities are scanning and which are not are only just becoming available, but those can be used for accountability.

The group expressed concerns about the time line for bringing these processes to acceptable performance level, and Ms. Mehra said the USPS is aggressively pursuing these issues and hopes to have a platform ready in summer of 2008. She said the USPS needs to demonstrate that the recommendations work, then go back to the organization and discuss non-compliance issues. She noted that similar issues had been encountered when DelCon was first implemented, but once that was made part of the field NPA, the scan rates skyrocketed. Ms. Mehra asked any mailers interested in participating in pilot tests for pallet barcode scanning are encouraged to do so and should contact her.

Plant Load Start the Clock. The second STC category for Seamless Acceptance is the Plant Load STC, Ms. Mehra noted. The USPS is exploring sampling of origin-entered containers at a mailer's facility, she said, and is trying to test various scanning options (when pallets are loaded on trucks, when truck releases, or when truck arrives at postal facility) as part of ongoing pilots today. The USPS is in the process of obtaining the necessary scanners and exploring options.

John Sexton, PSI Group, asked if the USPS has considered any STC around the postmark or meter date on mailpieces. Ms. Mehra said that the USPS has explored this and will not do so because it has found too many instances where the date is not correct. Seamless allows the USPS to read meter dates and perform a check to produce exception reports (e.g., the first equipment scan is days after the meter date), but the USPS does not plan to use the meter dates for STC.

BMEU Entry Start the Clock. The third STC category for Seamless Acceptance is BMEU Entry STC, where the USPS is exploring sampling containers at the BMEU. At some point in time, Ms. Mehra noted, the USPS will require use of the IMB on mailpieces in order to qualify for automation rates. At that point, when mail is entered at a BMEU and the postage statement created with the Postage Wizard (which she noted is becoming widely used), the USPS could assign the mailer a mailing ID in the serial number field of the IMB which would change each time they mail.

The USPS could use that to Start the Clock when the mail is entered at the BMEU, and is considering the best way to do that in terms of whether it should be when mail verification begins or when the mailer arrives at the BMEU (in order to include BMEU wait time in measurement). A BMEU clerk could scan a sampling from the mailing with a handheld scanner, she said. The USPS is planning to test the concept, but noted it would only be for automation-rate mail, not non-automation rate mail.

Non-Seamless Start the Clock. Ms. Mehra reported that the USPS is exploring Start the Clock options for mail not participating in Seamless Acceptance. The USPS' concept is that the mailer would apply IMBs to pieces using a mailing ID in the Sequence Number field of the IMB. The mailer would send the USPS a simple manifest describing the mail preparation and the mailing ID used. Mailpieces would be sampled by the USPS during induction, then the mail processing equipment would gather scans of sampled mailpieces. She noted that only those mailings that pass verification would be included in service performance measurement.

The group briefly discussed STC for continuous FCM mailers, and Ms. Mehra said there may be some other options that can be entertained for those mailers.

Start the Clock Ground Rules – Excluded Mail. Ms. Mehra reviewed the USPS' ground rules for what mailpieces would be excluded from service performance measurement because an accurate Start the Clock could not be determined. The categories include: containers not found on a mailer manifest ; containers for which mailer manifest

information does not match USPS Container Scans conducted; trays that cannot be associated to a container (APC, pallet, etc.) through a manifest; and containers that have mailpiece scans PRIOR to the Start-the-Clock Container scans.

Other Excluded Mail. In addition to excluding mail where the USPS can not accurately determine the Start the Clock, Ms. Mehra reported that the USPS also would exclude the following mailings/pieces:

- Mailings with manifest quality issues that exceed the established tolerance;
- Mailings with an operational scan rate that is lower than the established tolerance;
- Mailings with presort errors in excess of the established tolerance;
- Mailings with address quality errors in excess of the established tolerance;
- Mailpieces with quality issues such as improper presort, UAA, etc.;
- For non-seamless, mailings that do not pass verifications will be excluded from service performance

Ms. Mehra said that bad addresses, improper presort, etc. negatively impact performance, and the USPS does not feel it should be held accountable for meeting service standards in these scenarios. She noted that presort errors are not a prevalent issue any longer, but there still are issues with barcode quality. Overall, she noted that looking at MERLIN verification results today, there are very low error rates and Seamless Acceptance would be using higher tolerances. Mr. Lewis asked if the low error rates are true for smaller mailers as well as larger mailers and Ms. Mehra said the USPS has not analyzed whether the failure rate is higher for smaller mailings, but the overall error rate is very low.

Ms. Siviter asked if data excluded from service performance measurement still would be provided in Confirm (or DelCon or other tracking services) and the USPS said it would be included for those services but not for service performance measurement. Mr. Emens suggested that the USPS include the data but report it separately so that the USPS can be aware of and resolve the issues. Ms. Berenblatt agreed the data should be included in service performance measurement.

Mr. Lewis raised the issue of the risk of postage assessment being a barrier to participation in Seamless Acceptance, an issue that had been discussed at previous meetings. Ms. Mehra acknowledged that it is a big issue, but reported that pilot testing has revealed there is a ramp up time for new participants where things are messy in terms of the ID codes, barcode issues, quality issues, etc. This has been the case across the board in the first three sites and now is being seen in the fourth site, she reported. Quality then skyrockets, however, because the mailer is being provided with so much data on things like barcode quality.

For Seamless Acceptance to work, she acknowledged, the USPS will need to allow the mailer time to try it and get things in line before there is a postage penalty assessment process. She noted that eVS for parcels uses a similar concept to Seamless Acceptance, although it is less automated, and although mailers initially had the same concerns, the line to participate is now out the door. She said the USPS feels it can work through those issues with mailers and remove that barrier. She said the USPS also is exploring what fair tolerances should be, as well as making postage assessment as granular as the mailer wants it. For instance, in one test with PSI, she noted, if the mailer can tell the USPS if it affixed a barcode, and can attribute the error to the mail owner, the USPS can assess postage at that level, rather than across the whole mailing. The USPS is looking for ways to make the postage assessment more equitable, she noted.

Ms. Siviter asked if the USPS is exploring making the actual postage payment occur when the mail is processed rather than at acceptance, as an incentive to get mailers to participate in Seamless Acceptance. Ms. Mehra responded that is not an option, but any additional postage assessment does not happen until later. Mr. Lewis said another issue that had been raised is how long mailers have to store barcode data for purposes of postage assessment/adjudication. Ms. Mehra said the USPS will store all the scan data for probably 45 days, but that data will be continuously updated as pieces are being processed. Data would not be deleted until postage assessment is resolved, however. Mr. Lewis clarified that the question was how long the mailer would need to keep the data, and Ms. Berenblatt suggested it would depend on the company. A mail owner might keep it forever, some only for a year. Ms. Mehra agreed that storing data can be expensive but said if the mail is accepted and passes, there is no need to keep the data for USPS purposes, however a mailer could decide to keep it for their own business reasons.

Special Services Update

Ms. Siviter provided a brief update on the status of the Special Services standards recommendations that the workgroup is developing. The workgroup had reviewed a complete list of USPS Special Services at a prior meeting, and identified which it felt should be reviewed by the MTAC workgroup for purposes of making service standards recommendations. Ms. Siviter showed the list of Special Services and which subgroup each has been assigned to (a copy of the presentation is available on the workgroup web site).

Ms. Siviter reviewed the status of the Special Services, as follows.

- **Address Correction Service.** Separate subgroup to be formed; e-mail notice to determine interest is forthcoming
- **Post Office Box/Caller Service.** Assigned to FCM Subgroup; draft recs being reviewed, and further discussion being held on Caller Service issues.
- **Business Reply Mail.** Assigned to FCM Subgroup; draft recs being reviewed. The remittance industry has crafted some Courtesy Reply Mail recommendations, and BRM users are looking at service standards issues that largely may pertain to the accounting functions (which often negatively impact delivery).
- **Certified Mail.** Assigned to FCM Subgroup; draft recs are being reviewed and edited.
- **Registered Mail.** Assigned to FCM Subgroup; draft recs being reviewed. The group acknowledged that Registered Mail would not have the same service standard for delivery as other FCM, and is trying to determine appropriate standards, as well as standards relating to closing the loop for signature, losses and procedures.
- **Certificate of Mailing.** Assigned to FCM Subgroup; draft recs being reviewed.
- **Delivery Confirmation/Signature Confirmation.** Assigned to Packages Subgroup; Draft recs have been submitted and are being reviewed.
- **Money Orders.** Assigned to FCM Subgroup; draft recs being formed.
- **Confirm.** Separate Subgroup; two telecons held to date; draft recs being reviewed.
- **Merchandise Return Service/Bulk Parcel Return Service.** Assigned to Packages Subgroup; but may defer forming recs until Ongoing Review Process as USPS is redesigning services over the next year.

Next Meeting

The next meeting of the full workgroup (including all subgroup members) will be held on **Tuesday, July 31, from 10:00 a.m. to 3:00 p.m.** in USPS Headquarters room 1P410, in Washington, DC. Further details will be distributed to participants as they are finalized. The last scheduled meeting of the full workgroup will be held on Wednesday, August 29 from 10:00 am to 3:00 pm at USPS headquarters. It is hoped that the August 29 meeting will be focused on reviewing the draft recommendations of the workgroup, including all subgroup recommendations. The final output then will be edited as needed and handed off to the USPS by the mid-September deadline.

An updated list of upcoming meetings for the Full Workgroup and all four Subgroups has been posted on the workgroup web site.